

**Mt. Pleasant Public Schools**

**Mt. Pleasant, Michigan**

**Annual Financial Statements  
and  
Auditors' Report**

**June 30, 2007**

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**Mt. Pleasant Public Schools**  
**Members of the Board of Education and Administration**  
**June 30, 2007**

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Members of the Board of Education

Pam Dosenberry – President

Laura McBride – Vice President

Dana Briggs – Secretary

Rita Doneth – Treasurer

Barry Alford – Trustee

Emily Harris – Trustee

Guy Newland – Trustee

Administration

Dr. Gary Allen – Superintendent

Marla Michalak – Chief Financial Officer



3023 Davenport  
Saginaw, MI 48602  
Phone (989) 793-9830 / (800) 968-0010  
Fax (989) 793-0186

## Independent Auditors' Report

To the Board of Education  
Mt. Pleasant Public Schools  
Mt. Pleasant, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Mt. Pleasant Public Schools as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Mt. Pleasant Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mt. Pleasant Public Schools as of June 30, 2007, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 8, 2007, on our consideration of the Mt. Pleasant Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mt. Pleasant Public Schools' basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Yeo & Yeo, P.C.*

Saginaw, Michigan  
October 8, 2007

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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**Mt. Pleasant Public Schools**  
**Management's Discussion and Analysis**  
**June 30, 2007**

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This section of the Mt. Pleasant Public Schools annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2007. Please read it in conjunction with the School District's financial statements, which immediately follows this section.

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Mt. Pleasant Public Schools financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds; the General Fund, the Debt Service Funds and the 2007 Capital Projects Fund, with all other funds presented in one column as nonmajor funds. The remaining statements, the statement of fiduciary net assets and the statement of changes in fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

*Management's Discussion & Analysis (MD&A)*  
*(Required Supplemental Information)*  
*Basic Financial Statements*  
*Fund Financial Statements*  
*Notes to the Basic Financial Statements*  
*(Required Supplemental information)*  
*Budgetary Information for Major Funds*  
*Other Supplemental Information*

***Reporting the School District as a Whole - District-Wide Financial Statements***

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.



**Mt. Pleasant Public Schools**  
**Management's Discussion and Analysis**  
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These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

***Reporting the School District's Most Significant Funds - Fund Financial Statements***

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money (like bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

**Mt. Pleasant Public Schools**  
**Management's Discussion and Analysis**  
**June 30, 2007**

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***The School District as Trustee - Reporting the School District's Fiduciary Responsibilities***

The School District is the trustee, or fiduciary, for its student activity funds and scholarships. All of the School District's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**The School District as a Whole**

The Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets as of June 30, 2007 and 2006:

TABLE I

	Governmental Activities	
	June 30,	
	2007	2006
	(in millions)	(in millions)
<b>Assets</b>		
Current assets	\$ 33.6	\$ 15.7
Capital assets, net of accumulated depreciation	48.7	50.3
Total assets	82.3	66.0
<b>Liabilities</b>		
Current liabilities	9.2	7.4
Long-term liabilities	51.6	39.7
Total liabilities	60.8	47.1
<b>Net Assets</b>		
Invested in capital assets - net of related debt	12.3	12.6
Restricted	2.3	1.3
Unrestricted	6.9	5.0
Total net assets	<b>\$ 21.5</b>	<b>\$ 18.9</b>

**Mt. Pleasant Public Schools**  
**Management's Discussion and Analysis**  
**June 30, 2007**

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The above analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net assets were \$21.5 million and \$18.9 million respectively at June 30, 2007 and 2006. Capital assets, net of related debt totaling \$12.3 million at June 30, 2007, compares the original cost, less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets (\$6.9 million) was unrestricted.

The \$6.9 million in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The unrestricted net assets balance enables the School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (Table 2), which shows the changes in net assets for fiscal year 2007 and 2006.

TABLE 2

	<u>Governmental Activities</u>	
	<u>June 30,</u>	
	<u>2007</u>	<u>2006</u>
	(in millions)	(in millions)
<b>Revenues</b>		
Program revenue:		
Charges for services	\$ 1.6	\$ 1.7
Operating grants and contributions	10.4	10.5
General revenue:		
Property taxes	12.5	11.2
State aid - unrestricted	20.0	19.3
Other	<u>1.2</u>	<u>0.6</u>
Total revenues	45.7	43.3

**Mt. Pleasant Public Schools**  
**Management's Discussion and Analysis**  
**June 30, 2007**

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**Expenses**

Instruction	\$ 23.2	\$ 22.9
Support services	15.0	15.2
Food services	1.2	1.3
Athletics	0.8	0.8
Community services	1.2	1.0
Interest on long-term debt	<u>1.8</u>	<u>2.1</u>
Total expenses	<u>43.2</u>	<u>43.3</u>

<b>Change in net assets</b>	<u>\$ 2.5</u>	<u>\$ -</u>
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As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$43.2 million. Certain activities were partially funded from those who benefited from the programs (\$1.6 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$10.4 million). We paid for the remaining "public benefit" portion of our governmental activities with \$12.5 million in taxes, \$20.0 million in state foundation allowance, and \$1.2 million with our other revenues, i.e., interest and general entitlements. The School District experienced an increase in net assets of approximately \$2.5 million in the year end June 30, 2007.

As discussed above, the net cost shows the financial burden that was placed on the state and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

**The School District's Funds**

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$22.8 million, which is an increase of approximately \$15.8 million from last year. The individual funds remained constant in the current year with minimal changes with the exception of the passage of a \$14,500,000 bond issue for capital projects.

**Mt. Pleasant Public Schools  
Management's Discussion and Analysis  
June 30, 2007**

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**General Fund Budgetary Highlights**

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted June 25, 2007. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

There were revisions made to the 2006/2007 General Fund original budget. Budgeted revenues were increased \$2.8 million due to an unexpected change in certain revenue from the state and federal grants and intermediate sources of revenue.

Budgeted expenditures were also increased \$4.1 million resulting from the School District's revised operating plan due to the fluctuations in revenue. The amount of transfers to other funds established in the amended budget was \$580,530 and represents support provided by the General Fund to other functions.

There were significant variances between the final budget and actual amounts. This variance was expected and planned due to \$2.5 million of unspent tribal grants and \$1.5 million of carryover for various buildings and departments.

**Capital Assets and Debt Administration**

***Capital Assets***

As of June 30, 2007 and June 30, 2006, the School District had approximately \$81.0 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment.

	2007	2006
Land	\$ 0.2	\$ 0.2
Construction in process	0.2	0.2
Building and building improvements	62.6	62.5
Buses and other vehicles	15.4	15.1
Furniture and equipment	2.6	2.3
Total capital assets	<b>\$ 81.0</b>	<b>\$ 80.3</b>

**Mt. Pleasant Public Schools**  
**Management's Discussion and Analysis**  
**June 30, 2007**

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This year's additions of approximately \$1.0 million included vehicles, cafeteria equipment, technology, and building renovations. This was offset by the sale of the central office building by \$184,000.

Due to the passage of a \$14.5 million bond issue in May 2007, the district plans over the next 1.5 years to complete \$14.9 million worth of major capital projects. We anticipate capital additions will be approximately \$4.8 million in the 2007/2008 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

***Debt***

At the end of this year, the School District had \$49.5 million in bonds outstanding versus \$37.6 million in the previous year - a change of 31.3 percent. Those bonds and other notes and obligations consisted of the following:

	<u>2007</u>	<u>2006</u>
Bonds	\$ 49.6	\$ 37.6
Bus notes	0.0	0.1
Other obligations	0.3	0.3
Total	<u>\$ 49.9</u>	<u>\$ 38.0</u>

The state limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "Qualified Debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of \$49 million is significantly below the approximately \$130.9 million statutorily imposed limit.

Other obligations include accrued vacation pay and sick leave. We present more detailed information about our long-term liabilities in the notes to the financial statements.

**Mt. Pleasant Public Schools**  
**Management's Discussion and Analysis**  
**June 30, 2007**

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**Economic Factors and Next Year's Budgets and Rates**

Our elected officials and administration consider many factors when setting the School District's 2007/2008 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2007/2008 fiscal year is 25 percent of the February 2007 and 75 percent of the September 2007 student counts. The 2007/2008 budget was adopted in June 2007, based on an estimate of students that will be enrolled in September 2007, and is anticipated to be revised in January 2008. Approximately 86 percent of total General Fund revenue is from the foundation allowance. Under state law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the state's ability to fund local school operations. Based on early enrollment data at the start of the 2007/2008 school year, we anticipated that the fall student count will be close to the estimates used in developing the 2007/2008 budget. Once the final student count and related per pupil funding is validated, state law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on state funding and the health of the state's school aid fund, the actual revenue received depends on the state's ability to collect revenues to fund its appropriation to school districts. The state periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the conference, the state estimates if there will be sufficient funds to fund the appropriation. If there are not sufficient funds, the legislature must revise the appropriation or proration of state aid will occur. This will have an impact on the School District's state projected revenues. The state has not adopted an appropriations at this point in time. Once the state has adopted an appropriations, the student foundation grant will be determined. The district will amend the budget if needed.

**Requests for Information**

This financial report is designed to give our citizens, taxpayers, parents, students, investors and creditors with a general overview of the Districts finances and to demonstrate the Districts accountability for the money it receives. Questions concerning this report or requests for additional information should be addressed to the Chief Financial Officer, Mt. Pleasant Public Schools, 720 N. Kinney Avenue, Mt. Pleasant, MI 48858; telephone number 989-775-2304.

## BASIC FINANCIAL STATEMENTS



**Mt. Pleasant Public Schools**  
**Statement of Net Assets**  
**June 30, 2007**

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	<u>Governmental Activities</u>
<b>Assets</b>	
Cash	\$ 25,832,722
Accounts receivable	227,010
Due from other governmental units	5,263,694
Inventory	62,175
Investments	67,622
Prepaid items	456,041
Other assets	1,673,031
Capital assets not being depreciated	398,884
Capital assets - net of accumulated depreciation	<u>48,331,189</u>
Total assets	<u>82,312,368</u>
<b>Liabilities</b>	
Accounts payable	840,395
State aid anticipation note payable	3,800,000
Due to other governmental units	268,196
Payroll deductions and withholdings	488,749
Accrued expenditures	1,251,824
Accrued salaries payable	1,909,897
Deferred revenue	686,615
Noncurrent liabilities	
Due within one year	3,024,740
Due in more than one year	<u>48,554,135</u>
Total liabilities	<u>60,824,551</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	12,321,545
Restricted for:	
Debt service	1,898,118
Capital projects	407,345
Unrestricted	<u>6,860,809</u>
<b>Total net assets</b>	<u><u>\$ 21,487,817</u></u>

See Accompanying Notes to Financial Statements

**Mt. Pleasant Public Schools**  
**Statement of Activities**  
**For the Year Ended June 30, 2007**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Functions/Programs</b>					
Governmental activities					
Instruction	\$ 23,280,020	\$ 352,850	\$ 6,567,349	\$ -	\$ (16,359,821)
Supporting services	14,968,271	21,159	3,220,404	-	(11,726,708)
Food services	1,205,562	517,645	626,655	-	(61,262)
Athletic activities	793,665	156,575	-	-	(637,090)
Community services	1,158,739	518,861	10,594	-	(629,284)
Interest on long-term debt	1,776,666	-	-	-	(1,776,666)
<b>Total governmental activities</b>	<u>\$ 43,182,923</u>	<u>\$ 1,567,090</u>	<u>\$ 10,425,002</u>	<u>\$ -</u>	<u>(31,190,831)</u>
General revenues					
Property taxes, levied for general purposes					7,559,241
Property taxes, levied for debt service					4,980,523
State aid - unrestricted					19,994,507
Interest and investment earnings					403,588
Gain on sale of capital assets					324,850
Other					419,906
Total general revenues					<u>33,682,615</u>
Change in net assets					2,491,784
Net assets - beginning					<u>18,996,033</u>
<b>Net assets - ending</b>					<u>\$ 21,487,817</u>

See Accompanying Notes to Financial Statements

**Mt. Pleasant Public Schools**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2007**

	General Fund	Debt Service Funds	2007 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash	\$ 8,595,751	\$ 1,916,151	\$ 14,900,480	\$ 420,340	\$ 25,832,722
Accounts receivable	227,010	-	-	-	227,010
Due from other funds	-	-	-	90,361	90,361
Due from other governmental units	5,242,440	-	-	21,254	5,263,694
Inventory	15,494	-	-	46,681	62,175
Investments	67,622	-	-	-	67,622
Prepaid items	456,041	-	-	-	456,041
<b>Total assets</b>	<u>\$ 14,604,358</u>	<u>\$ 1,916,151</u>	<u>\$ 14,900,480</u>	<u>\$ 578,636</u>	<u>\$ 31,999,625</u>
<b>Liabilities and fund balance</b>					
<b>Liabilities</b>					
Accounts payable	\$ 644,731	\$ -	\$ 65,118	\$ 142,118	\$ 851,967
State aid anticipation note payable	3,800,000	-	-	-	3,800,000
Due to other funds	56,236	18,033	1,000	3,520	78,789
Due to other governmental units	268,196	-	-	-	268,196
Payroll deductions and withholdings	488,749	-	-	-	488,749
Accrued expenditures	877,433	-	-	-	877,433
Accrued salaries payable	1,909,897	-	-	-	1,909,897
Deferred revenue	885,844	-	-	-	885,844
<b>Total liabilities</b>	<u>8,931,086</u>	<u>18,033</u>	<u>66,118</u>	<u>145,638</u>	<u>9,160,875</u>

See Accompanying Notes to Financial Statements

**Mt. Pleasant Public Schools**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2007**

	General Fund	Debt Service Funds	2007 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund balance					
Reserved for inventory	\$ 15,494	\$ -	\$ -	\$ -	\$ 15,494
Reserved for prepaid items	456,041	-	-	-	456,041
Reserved for debt service	-	1,898,118	-	-	1,898,118
Reserved for capital projects	-	-	14,834,362	407,345	15,241,707
Reserved for grants	2,507,525	-	-	-	2,507,525
Designated for budget carryover	1,497,952	-	-	-	1,497,952
Other undesignated	1,196,260	-	-	25,653	1,221,913
	<u>5,673,272</u>	<u>1,898,118</u>	<u>14,834,362</u>	<u>432,998</u>	<u>22,838,750</u>
<b>Total liabilities and fund balance</b>	<u>\$ 14,604,358</u>	<u>\$ 1,916,151</u>	<u>\$ 14,900,480</u>	<u>\$ 578,636</u>	<u>\$ 31,999,625</u>

See Accompanying Notes to Financial Statements

**Mt. Pleasant Public Schools**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets**  
**June 30, 2007**

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<b>Total fund balances for governmental funds</b>	<b>\$ 22,838,750</b>
Total net assets for governmental activities in the statement of net assets is different because:	
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Other revenue	199,229
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	398,884
Capital assets - net of accumulated depreciation	48,331,189
Other long-term assets are not deferred in the governmental funds.	1,673,031
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(361,981)
Unemployment payable	(12,410)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Compensated absences	(335,985)
Bonds payable	(50,422,982)
Bus notes	(39,480)
Other bonds	<u>(780,428)</u>
<b>Net assets of governmental activities</b>	<b><u>\$ 21,487,817</u></b>

**Mt. Pleasant Public Schools**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2007**

	General Fund	Debt Service Funds	2007 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Local sources	\$ 9,937,034	\$ 5,080,320	\$ 7,906	\$ 1,354,839	\$ 16,380,099
Intermediate sources	2,153,394	-	-	-	2,153,394
State sources	22,222,818	-	-	82,920	22,305,738
Federal sources	1,486,545	-	-	554,329	2,040,874
Interdistrict sources	2,242,397	-	-	-	2,242,397
 Total revenues	 38,042,188	 5,080,320	 7,906	 1,992,088	 45,122,502
<b>Expenditures</b>					
Current					
Education					
Instruction	21,180,509	-	-	-	21,180,509
Supporting services	13,456,637	-	-	13,982	13,470,619
Food services	-	344	-	1,111,116	1,111,460
Athletic activities	-	-	-	732,045	732,045
Community services	420,116	-	-	648,659	1,068,775
Intergovernmental payments	508,273	-	-	-	508,273
Capital outlay	1,863,036	-	-	39,058	1,902,094
Debt service					
Principal	159,100	2,795,000	-	-	2,954,100
Interest and other expenditures	193,222	1,737,998	-	-	1,931,220
Bond issuance costs	-	-	163,260	-	163,260
 Total expenditures	 37,780,893	 4,533,342	 163,260	 2,544,860	 45,022,355
 Excess (deficiency) of revenues over expenditures	 261,295	 546,978	 (155,354)	 (552,772)	 100,147

See Accompanying Notes to Financial Statements

**Mt. Pleasant Public Schools**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2007**

	General Fund	Debt Service Funds	2007 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Other financing sources (uses)</b>					
Proceeds from issuance of bonds	\$ -	\$ -	\$ 14,435,000	\$ -	\$ 14,435,000
Premium on issuance of bonds	-	-	554,716	-	554,716
Insurance recoveries	28,126	-	-	-	28,126
Proceeds from sale of capital assets	452,259	-	-	193,908	646,167
Transfers in	128,616	-	-	575,156	703,772
Transfers out	(575,156)	-	-	(128,616)	(703,772)
 Total other financing sources (uses)	 33,845	 -	 14,989,716	 640,448	 15,664,009
 Net change in fund balance	 295,140	 546,978	 14,834,362	 87,676	 15,764,156
 Fund balance - beginning	 5,378,132	 1,351,140	 -	 345,322	 7,074,594
 <b>Fund balance - ending</b>	 <b><u>\$ 5,673,272</u></b>	 <b><u>\$ 1,898,118</u></b>	 <b><u>\$ 14,834,362</u></b>	 <b><u>\$ 432,998</u></b>	 <b><u>\$ 22,838,750</u></b>

See Accompanying Notes to Financial Statements

**Mt. Pleasant Public Schools**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2007**

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<b>Net change in fund balances - Total governmental funds</b>	<b>\$ 15,764,156</b>
Total change in net assets reported for governmental activities in the statement of activities is different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Other revenue	199,229
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(2,304,586)
Capital outlay	1,044,766
Sale of capital assets (net book value)	(321,317)
Expenses are recorded when incurred in the statement of activities.	
Interest	4,600
Unemployment claims	(12,410)
Compensated absences	(18,156)
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Debt issued	(14,435,000)
Repayments of long-term debt	2,954,100
Defer gain on premium	(554,716)
Defer bond issuance costs	163,260
Amortization of premiums	149,954
Amortization of deferred amount on refunding	<u>(142,096)</u>
<b>Change in net assets of governmental activities</b>	<b><u>\$ 2,491,784</u></b>

See Accompanying Notes to Financial Statements



**Mt. Pleasant Public Schools**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Assets**  
**June 30, 2007**

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	Private Purpose Trust Funds	Agency Funds
<b>Assets</b>		
Cash	\$ 6,798	\$ 267,076
<b>Liabilities</b>		
Accounts payable	-	\$ 25
Due to other funds	-	11,572
Due to agency fund activities	-	255,479
Total liabilities	-	\$ 267,076
<b>Net assets</b>		
Reserved for scholarships	\$ 6,798	

See Accompanying Notes to Financial Statements

**Mt. Pleasant Public Schools**  
**Fiduciary Funds**  
**Private Purpose Trust Funds**  
**Statement of Changes in Fiduciary Net Assets**  
**For the Year Ended June 30, 2007**

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	Private Purpose Trust Funds
<b>Additions</b>	\$ -
<b>Deductions</b>	<u>-</u>
Change in net assets	-
Net assets - beginning	<u>6,798</u>
<b>Net assets - ending</b>	<u><u>\$ 6,798</u></u>

See Accompanying Notes to Financial Statements

**Mt. Pleasant Public Schools**  
**Notes to Financial Statements**  
**June 30, 2007**

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**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the Mt. Pleasant Public Schools (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

**Reporting Entity**

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

**District-wide Financial Statements**

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The School District first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net assets resulting from current year activities.

**Fund Financial Statements**

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as

**Mt. Pleasant Public Schools**  
**Notes to Financial Statements**  
**June 30, 2007**

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under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

*General Fund* – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

*Debt Service Funds* – Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

*2007 Capital Projects Fund* – The Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, building, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been accomplished.

Additionally, the School District reports the following fund types:

*Special Revenue Funds* – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include Food Service, Athletics,

Bookstore, and Community Services Fund. Operating deficits generated by these activities are generally transferred from the General Fund.

*Capital Projects Fund* – The Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, building, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been accomplished.

*Fiduciary Funds* – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Private Purpose Trust Funds are used to account for contributions received by the School District to provide donor-specified services that benefit the School District. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

**Assets, Liabilities and Equity**

*Receivables and Payables* – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Property taxes and other receivable are shown net of an allowance for uncollectible amounts.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2007, the rates are as follows per \$1,000 of assessed value.

**Mt. Pleasant Public Schools**  
**Notes to Financial Statements**  
**June 30, 2007**

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General Fund	
Homestead	0.00
Nonhomestead	18.00
Debt Service Funds	
Homestead	6.02
Nonhomestead	6.02

asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	40 years
Equipment and furniture	5-10 years
Buses and other vehicles	7-10 years

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County and remitted to the School District by May 15.

Investments – Investments are stated at fair value based on a quoted market price. Certificates of deposit are stated at cost which approximates fair value.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend

Compensated Absences – The liability for compensated absences reported in the district-wide statements consists of earned but unused accumulated vacation, sick leave, and retirement benefits. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as deferred interest charges, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred interest charges.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuances costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Mt. Pleasant Public Schools**  
**Notes to Financial Statements**  
**June 30, 2007**

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**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Comparative Data**

Comparative data is not included in the School District's financial statements.

**Eliminations and Reclassifications**

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

**Upcoming Accounting and Reporting Change**

The Government Accounting Standards Board has issued Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits other than Pensions*. The new pronouncement provides guidance for school districts in recognizing the cost of retiree health care. The new rules will cause district-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

The Government Accounting Standards Board has issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement addresses how to account for pollution remediation activities of the effects of existing pollution; it does not include prevention or control activities or remediation required upon the retirement of an asset. In general, the new rules will cause district-wide financial statements to recognize a liability on the current

value of expected costs as estimated using the expected cash flows method. This statement is effective for the year ending June 30, 2009.

**Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby cancelling all encumbrances. These appropriations are reestablished at the beginning of the year.

The appropriation level adopted by the Board is the level of control authorized under the Act. The Act requires expenditures to be budgeted on a functional basis. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the Act if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations which were amended.

**Excess of Expenditures over Appropriations**

The School District did not have significant expenditure budget variances.

**Mt. Pleasant Public Schools**  
**Notes to Financial Statements**  
**June 30, 2007**

**Note 3 - Deposits and Investments**

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	\$ 25,832,722	\$ 273,874	\$ 26,106,596
Investments	67,622	-	67,622
	<u>\$ 25,900,344</u>	<u>\$ 273,874</u>	<u>\$ 26,174,218</u>

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 11,033,838
Investments in securities, mutual funds, and similar vehicles	15,129,111
Petty cash and cash on hand	<u>11,269</u>
Total	<u>\$ 26,174,218</u>

As of year end, the District had the following investments:

Investment	Fair Value	Maturities	Rating	Rating Organization
Michigan Liquid Asset Fund (MICMS)	\$ 161,009	Daily 6 months	AAA	S & P
Michigan Liquid Asset Fund (MIMAX)	67,622	average	AAA	S & P
Michigan Liquid Asset Fund (MICMS)	<u>14,900,480</u>	average	AAA	S & P
	<u>\$ 15,129,111</u>			

*Interest rate risk* – The District does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

*Credit risk* – State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

*Concentration of credit risk* – The District's investment policy has designated two banks for deposits of its funds.

*Custodial credit risk – deposits* – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year end, \$25,941,642 of the District's bank balance of \$26,241,642 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk – investments* – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Consistent with the District's investment policy, the District's investments in the Michigan Liquid Asset Fund are held by a counterparty and not insured.

**Mt. Pleasant Public Schools**  
**Notes to Financial Statements**  
**June 30, 2007**

**Note 4 - Capital Assets**

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 196,550	\$ -	\$ -	\$ 196,550
Construction in progress	239,632	202,334	239,632	202,334
Total capital assets not being depreciated	436,182	202,334	239,632	398,884
Capital assets being depreciated				
Buildings and additions	62,465,449	326,890	184,178	62,608,161
Equipment and furniture	15,156,459	194,898	-	15,351,357
Buses and other vehicles	2,290,559	320,644	-	2,611,203
Total capital assets being depreciated	79,912,467	842,432	184,178	80,570,721
Less accumulated depreciation for				
Buildings and additions	18,383,065	1,257,833	102,493	19,538,405
Equipment and furniture	9,858,705	864,921	-	10,723,626
Buses and other vehicles	1,795,669	181,832	-	1,977,501
Total accumulated depreciation	30,037,439	2,304,586	102,493	32,239,532
Net capital assets being depreciated	49,875,028	(1,462,154)	81,685	48,331,189
Net capital assets	\$ 50,311,210	\$ (1,259,820)	\$ 321,317	\$ 48,730,073

Depreciation expense was charged to activities of the School District as follows:

<b>Governmental activities</b>	
Instruction	\$ 1,299,465
Support services	826,448
Food services	68,190
Athletic activities	44,912
Community services	65,571
Total governmental activities	<u>\$ 2,304,586</u>

**Interfund Receivable and Payable and Transfers**

Individual interfund receivable and payable balances at year end were:

Due From Fund	Due to Fund	Amount
Nonmajor governmental	General	\$ 56,236
Nonmajor governmental	Debt Service	18,033
Nonmajor governmental	2007 Capital Projects	1,000
Nonmajor governmental	Agency	11,572
Nonmajor governmental	Nonmajor governmental	3,520
		<u>\$ 90,361</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers consist of the following:

	General Fund	Transfers Out Nonmajor Governmental Funds	Total
<b>Transfers in</b>			
General Fund	\$ -	\$ 128,616	\$ 128,616
Nonmajor governmental funds	575,156	-	575,156
	<u>\$ 575,156</u>	<u>\$ 128,616</u>	<u>\$ 703,772</u>

Transfers were made to cover the costs of School District programs that were in excess of revenues generated from those activities in the Athletic Fund. Transfers made into the General Fund from the Food Service and Community Services Funds were to reimburse the School District for allowable expenditures.



**Mt. Pleasant Public Schools**  
**Notes to Financial Statements**  
**June 30, 2007**

**Note 5 - Deferred Revenue**

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Other	\$ 199,229	\$ -
Grant and categorical aid payments received payments received prior to meeting all eligibility prior to meeting all eligibility requirements	<u>-</u>	<u>686,615</u>
Total	<u>\$ 199,229</u>	<u>\$ 686,615</u>

**Note 6 - State Aid Anticipation Note**

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30<sup>th</sup>.

Short-term debt activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Repayments</u>	<u>Ending Balance</u>
State aid anticipation note	<u>\$ 2,000,000</u>	<u>\$ 3,800,000</u>	<u>\$ 2,000,000</u>	<u>\$ 3,800,000</u>

**Note 7 - Commitment**

As of year end, the School District had entered into a copy agreement with Central Michigan University. The agreement runs

through December 31, 2011. The District's monthly payment is \$9,020. There may be adjustments to the total annual payments based on actual usage. Future payments for the copy agreement are as follows:

Year Ending June 30,

2008	\$ 108,240
2009	108,240
2010	108,240
2011	108,240
2012	<u>54,120</u>
	<u>\$ 487,080</u>

Expenditures for the copy agreement were \$122,580 for fiscal year ending June 30, 2007.

**Note 8 - Long-Term Debt**

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences.

Long-term obligation activity is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Government obligation bonds	\$ 36,635,000	\$ 14,435,000	\$ 2,795,000	\$ 48,275,000	\$ 2,915,000
Other bonds	865,428	-	85,000	780,428	90,000
Bus notes	113,580	-	74,100	39,480	19,740
Compensated absences	317,829	18,156	-	335,985	-
Deferred amount on refunding	(1,651,867)	-	(142,096)	(1,509,771)	-
Premium on bonds	1,743,220	554,716	149,954	2,147,982	-
Deferred issuance costs	-	(163,260)	-	(163,260)	-
Total	<u>\$ 38,023,190</u>	<u>\$ 14,844,612</u>	<u>\$ 2,961,958</u>	<u>\$ 49,905,844</u>	<u>\$ 3,024,740</u>

**Mt. Pleasant Public Schools**  
**Notes to Financial Statements**  
**June 30, 2007**

General obligation bonds payable at year end, consists of the following:

\$48,280,000, 1997 Building and Site Refunding Bonds; principal due in annual installments ranging from \$2,080,000 to \$2,915,000, including interest at rates ranging from 4.9% to 5.75%, with a final maturity in 2010.	\$ 7,250,000
\$26,590,000, 2005 Refunding Bonds; principal due in annual installments ranging from \$1,000,000 to \$3,075,000, including interest at rates ranging from 3.0% to 5.0%, with a maturity in 2018.	26,590,000
\$14,435,000, 2007 School Building and Site Bonds; principal due in annual installments ranging from \$190,000 to \$1,475,000, including interest at rates ranging from 4.0% to 5.5%, with a maturity in 2022.	<u>14,435,000</u>
Total general obligation bonded debt	<u>\$ 48,275,000</u>

Future principal and interest requirements for bonded debt are as follows:

	Principal	Interest	Total
<b>Year Ending June 30,</b>			
2008	\$ 2,915,000	\$ 2,201,839	\$ 5,116,839
2009	3,270,000	2,143,870	5,413,870
2010	3,480,000	2,004,350	5,484,350
2011	3,415,000	1,850,100	5,265,100
2012	3,750,000	1,682,850	5,432,850
2013-2017	21,070,000	5,521,612	26,591,612
2018-2022	<u>10,375,000</u>	<u>1,255,000</u>	<u>11,630,000</u>
Total	<u>\$ 48,275,000</u>	<u>\$ 16,659,621</u>	<u>\$ 64,934,621</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$ 1,898,118 to pay this debt. Future debt and interest will be payable from future tax levies.

Other bonds consist of the following:

\$830,580, Durant Bonds; principal due in annual installments ranging from \$46,225 to \$291,908, including interest at 4.76% with a final maturity in 2013.	\$ 490,428
\$800,000, 2000 Energy Bonds; principal due in annual installments ranging from \$90,000 to \$105,000, including interest at 4.85% to 5.0% with a final maturity in 2010.	<u>290,000</u>
	<u>\$ 780,428</u>

Durant Bond obligations issued by PA 142 are payable solely from and are secured solely by an assignment by each School District of certain categorical State School Aid payments. The State Legislature has no obligation to make such appropriations. In the event the Legislature fails to appropriate funds, the School District is under no obligation for repayment of the debt obligation issued by PA 142.

Future principal and interest requirements for the Durant Bonds and the 2000 Energy Bonds are as follows:

	Principal	Interest	Total
<b>Year Ending June 30,</b>			
2008	\$ 90,000	\$ 14,318	\$ 104,318
2009	141,225	22,055	163,280
2010	153,423	15,152	168,575
2011	50,730	7,596	58,326
2012	53,142	5,181	58,323
2013	<u>291,908</u>	<u>99,973</u>	<u>391,881</u>
Total	<u>\$ 780,428</u>	<u>\$ 164,275</u>	<u>\$ 944,703</u>

Bus notes consist of the following:

				Remaining to Maturity	
Date	Original Amount	Due Date	Interest Rate	Interest	Principal
August 29, 2003	\$ 98,700	August 29, 2008	3.0%	<u>\$ 1,895</u>	<u>\$ 39,480</u>

**Mt. Pleasant Public Schools**  
**Notes to Financial Statements**  
**June 30, 2007**

Future principal and interest requirements for the bus notes are as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 19,740	\$ 1,263	\$ 21,003
2009	19,740	632	20,372
Total	<u>\$ 39,480</u>	<u>\$ 1,895</u>	<u>\$ 41,375</u>

**Compensated Absences**

Accrued compensated absences at year end, consists of \$335,985 in accrued vacation, sick leave, and retirement benefits. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year.

**Defeased Debt**

In the prior year, the School District defeased various bonds issued by creating separate irrevocable trust funds. New debt has been issued and the net proceeds of each refunding were placed in separate special escrow accounts and invested in securities of the U.S. Government and its agencies. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded bonds are considered to be defeased. Accordingly, the trust account assets and liability for the defeased bonds are not included in the School District's financial statements.

The final payment date is May 1, 2018. As of year end, the amount of defeased debt outstanding but removed for the 1997 School and Building Site Bonds is \$27,325,000.

**Note 9 - Risk Management**

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees.

The School District has purchased commercial insurance for boiler and medical claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

For all other coverage the School District participates in a shared risk pool that operates as a common risk-sharing management program for school districts in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District. The School District had \$37,123 unemployment compensation expense for the year. No provision has been made for possible future claims.

**Note 10 - Defined Benefit Pension Plan**

**Plan Description**

The School District has a defined benefit pension plan covering substantially all employees. The plan is operated by the State of Michigan's Public School Employees Retirement System (MPERS), which is a cost-sharing public employee retirement system (PERS).

The pension plan provides retirement, survivor and disability benefits to plan members and their beneficiaries.

MPERS operates within the Michigan Department of Management and Budget, Office of Retirement Systems who has the authority to establish and amend benefit provisions. The Michigan Department of Management and Budget issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing

**Mt. Pleasant Public Schools**  
**Notes to Financial Statements**  
**June 30, 2007**

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Office of Retirement Services, P.O. Box 30171, Lansing, Michigan 48909-7671 or calling 800-381-5111.

**Funding Policy**

The School is required by State statute to contribute to MPSERS an actuarially determined percentage of payroll for all participating employees. Additionally, employees participating in the Member Investment Plan contributed 3% to 4.3% of their covered wages through payroll deduction. In addition to retirement benefits, a portion of the total MPSERS contribution is allocated to cover health, dental and vision benefits. The following table discloses pertinent information relative to MPSERS funding for the three-year period beginning July 1, 2004 through June 30, 2007.

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Funding percentage range	16.34-17.74%	14.87-16.34%	12.99-14.87%
School contributions	\$ 3,553,354	\$ 3,246,127	\$ 3,247,473
Portion of school contribution covering health, dental and vision benefits	37%	40%	44%

**Trend Information**

Ten-year historical trend information is presented in the September 30, 2006, PERS Comprehensive Annual Financial Report. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. The total benefit obligations and net assets available for benefits as of September 30, 2005, the latest date for which information is available, approximates \$ 48.2 billion and \$ 38.2 billion, respectively. The School's share of the total current actuarially determined employer contribution requirement under MPSERS was less than 1% for the year ended September 30, 2006.

**Post Employment Benefits**

In addition to the pension benefits described above, the School District provides post-retirement health care, dental, and vision

benefits for retirees and beneficiaries through Michigan Public School Employees Retirement System (MPSERS).

Expenditures for these benefits are recognized on a cash disbursement basis. During the year ended September 30, 2006, statewide expenditures of \$ 694 million were recognized for post-retirement health care, dental and vision. This represented approximately 20% of the total expenditures of the Michigan Public School Employees Retirement System.

**Note 11 - Contingent Liabilities**

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2007.

The School District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the School District's attorneys, the resolution of these matters will not have a material adverse effect on the financial condition of the School District.

## REQUIRED SUPPLEMENTAL INFORMATION

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**Mt. Pleasant Public Schools**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2007**

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
<b>Revenues</b>				
Local sources	\$ 9,517,085	\$ 9,622,365	\$ 9,937,034	\$ 314,669
Intermediate sources	-	2,153,395	2,153,394	(1)
State sources	22,395,240	22,533,365	22,222,818	(310,547)
Federal sources	1,600,085	1,720,035	1,486,545	(233,490)
Interdistrict sources	2,231,470	2,274,435	2,242,397	(32,038)
Total revenues	35,743,880	38,303,595	38,042,188	(261,407)
<b>Expenditures</b>				
Instruction				
Basic programs	14,668,020	15,984,420	14,670,165	(1,314,255)
Added needs	6,046,000	6,411,325	6,297,728	(113,597)
Adult and continuing education	318,385	288,350	212,616	(75,734)
Supporting services				
Pupil	2,972,305	3,138,820	2,954,763	(184,057)
Instructional staff	2,148,010	2,217,295	1,978,721	(238,574)
General administration	392,275	391,800	367,301	(24,499)
School administration	2,016,120	2,028,375	1,981,075	(47,300)
Business	541,445	482,240	451,757	(30,483)
Operations and maintenance	3,679,195	4,198,160	3,505,748	(692,412)
Pupil transportation services	1,387,975	1,386,095	1,268,817	(117,278)
Central	740,410	942,995	943,057	62
Other	19,000	19,000	5,398	(13,602)
Community services	366,510	467,130	420,116	(47,014)
Intergovernmental payments	507,610	508,530	508,273	(257)
Capital outlay	1,281,130	2,578,830	1,863,036	(715,794)
Debt service				
Principal	157,300	159,100	159,100	-
Interest and fiscal charges	95,555	196,475	193,222	(3,253)
Total expenditures	37,337,245	41,398,940	37,780,893	(3,618,047)
Excess (deficiency) of revenues over expenditures	(1,593,365)	(3,095,345)	261,295	3,356,640

**Mt. Pleasant Public Schools**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2007**

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
<b>Other financing sources (uses)</b>				
Insurance recoveries	\$ 9,500	\$ 28,125	\$ 28,126	\$ 1
Proceeds from sale of capital assets	200,000	425,230	452,259	27,029
Transfers in	197,055	163,880	128,616	(35,264)
Transfers out	(591,200)	(580,530)	(575,156)	5,374
Total other financing sources (uses)	(184,645)	36,705	33,845	(2,860)
Net change in fund balance	(1,778,010)	(3,058,640)	295,140	3,353,780
Fund balance - beginning	5,378,132	5,378,132	5,378,132	-
<b>Fund balance - ending</b>	<b>\$ 3,600,122</b>	<b>\$ 2,319,492</b>	<b>\$ 5,673,272</b>	<b>\$ 3,353,780</b>

## OTHER SUPPLEMENTAL INFORMATION

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**Mt. Pleasant Public Schools**  
**Other Supplemental Information**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2007**

	Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	Food Service	Athletics	Bookstore	Community Services		
<b>Assets</b>						
Cash	\$ 4,845	\$ 8,000	\$ -	\$ 150	\$ 407,345	\$ 420,340
Due from other funds	53,513	-	9,273	27,575	-	90,361
Due from other governmental units	20,365	-	-	889	-	21,254
Inventory	46,681	-	-	-	-	46,681
<b>Total assets</b>	<u>\$ 125,404</u>	<u>\$ 8,000</u>	<u>\$ 9,273</u>	<u>\$ 28,614</u>	<u>\$ 407,345</u>	<u>\$ 578,636</u>
<b>Liabilities and fund balance</b>						
Liabilities						
Accounts payable	\$ 124,685	\$ 4,480	\$ 1,035	\$ 11,918	\$ -	\$ 142,118
Due to other funds	-	3,520	-	-	-	3,520
<b>Total liabilities</b>	<u>124,685</u>	<u>8,000</u>	<u>1,035</u>	<u>11,918</u>	<u>-</u>	<u>145,638</u>
Fund balance						
Reserved for capital projects	-	-	-	-	407,345	407,345
Other undesignated	719	-	8,238	16,696	-	25,653
<b>Total fund balance</b>	<u>719</u>	<u>-</u>	<u>8,238</u>	<u>16,696</u>	<u>407,345</u>	<u>432,998</u>
<b>Total liabilities and fund balance</b>	<u>\$ 125,404</u>	<u>\$ 8,000</u>	<u>\$ 9,273</u>	<u>\$ 28,614</u>	<u>\$ 407,345</u>	<u>\$ 578,636</u>

**Mt. Pleasant Public Schools**  
**Other Supplemental Information**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2007**

	Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	Food Service	Athletics	Bookstore	Community Services		
<b>Revenues</b>						
Local sources	\$ 603,328	\$ 156,889	\$ 21,159	\$ 563,647	\$ 9,816	\$ 1,354,839
State sources	82,920	-	-	-	-	82,920
Federal sources	543,735	-	-	10,594	-	554,329
Total revenues	<u>1,229,983</u>	<u>156,889</u>	<u>21,159</u>	<u>574,241</u>	<u>9,816</u>	<u>1,992,088</u>
<b>Expenditures</b>						
Current						
Education						
Supporting services	-	-	13,982	-	-	13,982
Food services	1,111,116	-	-	-	-	1,111,116
Athletic activities	-	732,045	-	-	-	732,045
Community services	-	-	-	648,659	-	648,659
Capital outlay	18,742	-	-	192	20,124	39,058
Total expenditures	<u>1,129,858</u>	<u>732,045</u>	<u>13,982</u>	<u>648,851</u>	<u>20,124</u>	<u>2,544,860</u>
Excess (deficiency) of revenues over expenditures	<u>100,125</u>	<u>(575,156)</u>	<u>7,177</u>	<u>(74,610)</u>	<u>(10,308)</u>	<u>(552,772)</u>
<b>Other financing sources (uses)</b>						
Proceeds from sale of capital assets	-	-	-	-	193,908	193,908
Transfers in	-	575,156	-	-	-	575,156
Transfers out	(99,406)	-	-	(29,210)	-	(128,616)
Total other financing sources (uses)	<u>(99,406)</u>	<u>575,156</u>	<u>-</u>	<u>(29,210)</u>	<u>193,908</u>	<u>640,448</u>
Net change in fund balance	719	-	7,177	(103,820)	183,600	87,676
Fund balance - beginning	-	-	1,061	120,516	223,745	345,322
<b>Fund balance - ending</b>	<u>\$ 719</u>	<u>\$ -</u>	<u>\$ 8,238</u>	<u>\$ 16,696</u>	<u>\$ 407,345</u>	<u>\$ 432,998</u>

**Mt. Pleasant Public Schools**  
**Other Supplemental Information**  
**Schedule of Outstanding Bonded and Note Indebtedness**  
**June 30, 2007**

Year Ending June 30,	1997 School Building and Site Bonds	1998 Durant Bond	2000 Energy Bond	2005 Refunding Bonds	2007 School Building and Site Bonds	Bus Notes	Total
2008	\$ 2,915,000	\$ -	\$ 90,000	\$ -	\$ -	\$ 19,740	\$ 3,024,740
2009	2,080,000	46,225	95,000	1,000,000	190,000	19,740	3,430,965
2010	2,255,000	48,423	105,000	1,000,000	225,000	-	3,633,423
2011	-	50,730	-	3,065,000	350,000	-	3,465,730
2012	-	53,142	-	3,075,000	675,000	-	3,803,142
2013	-	291,908	-	3,075,000	850,000	-	4,216,908
2014	-	-	-	3,075,000	1,025,000	-	4,100,000
2015	-	-	-	3,075,000	1,200,000	-	4,275,000
2016	-	-	-	3,075,000	1,300,000	-	4,375,000
2017	-	-	-	3,075,000	1,320,000	-	4,395,000
2018	-	-	-	3,075,000	1,425,000	-	4,500,000
2019	-	-	-	-	1,450,000	-	1,450,000
2020	-	-	-	-	1,475,000	-	1,475,000
2021	-	-	-	-	1,475,000	-	1,475,000
2022	-	-	-	-	1,475,000	-	1,475,000
Total	<u>\$ 7,250,000</u>	<u>\$ 490,428</u>	<u>\$ 290,000</u>	<u>\$ 26,590,000</u>	<u>\$ 14,435,000</u>	<u>\$ 39,480</u>	<u>\$ 49,094,908</u>
Principal payments due the first day of	May 1	May 15	May 1	May 1	May 1	Various	
Interest payments due the first day of	May 1 and November 1	May 15	May 1 and November 1	May 1 and November 1	May 1 and November 1	Various	
Interest rate	4.9% - 5.75%	4.76%	4.85% - 5.0%	3.0% - 5.0%	4.0% - 5.5%	3%	
Original issue	<u>\$ 48,280,000</u>	<u>\$ 830,580</u>	<u>\$ 800,000</u>	<u>\$ 26,590,000</u>	<u>\$ 14,435,000</u>	<u>\$ 390,500</u>	

**Mt. Pleasant Public Schools**

**Mt. Pleasant, Michigan**

**Single Audit Report**

**June 30, 2007**

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**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on  
an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

To the Board of Education  
Mt. Pleasant Public Schools  
Mt. Pleasant, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mt. Pleasant Public Schools as of and for the year ended June 30, 2007, which collectively comprise Mt. Pleasant Public Schools' basic financial statements and have issued our report thereon dated October 8, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Mt. Pleasant Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mt. Pleasant Public Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mt. Pleasant Public Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mt. Pleasant Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted other matters involving the internal control over financial reporting, which we have reported to management of Mt. Pleasant Public Schools in a separate letter dated October 8, 2007.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Yeo & Yeo, P.C.*

Saginaw, Michigan  
October 8, 2007



3023 Davenport  
Saginaw, MI 48602  
Phone (989) 793-9830 / (800) 968-0010  
Fax (989) 793-0186

## **Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

To the Board of Education  
Mt. Pleasant Public Schools  
Mt. Pleasant, Michigan

### **Compliance**

We have audited the compliance of Mt. Pleasant Public Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Mt. Pleasant Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Mt. Pleasant Public Schools' management. Our responsibility is to express an opinion on Mt. Pleasant Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mt. Pleasant Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Mt. Pleasant Public Schools' compliance with those requirements.

In our opinion, Mt. Pleasant Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major programs for the year ended June 30, 2007.



### Internal Control over Compliance

The management of Mt. Pleasant Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Mt. Pleasant Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mt. Pleasant Public Schools as of and for the year ended June 30, 2007, and have issued our report thereon dated October 8, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Mt. Pleasant Public Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Yeo & Yeo, P.C.*

Saginaw, Michigan  
October 8, 2007

**Mt. Pleasant Public Schools**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2007**

Federal Grantor Pass Through Grantor Program Title Grant Number		Federal CFDA Number	Approved Grant Amount	Accrued (Deferred) Revenue July 1, 2006	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Adjustments	Accrued (Deferred) Revenue June 30, 2007
U.S. Department of Agriculture									
Nutrition Cluster									
Passed through Michigan Department of Education									
61970 National School Breakfast	10.553	\$	100,369	\$ -	\$ 91,304	\$ 9,065	\$ 9,065	\$ -	\$ -
71970 National School Breakfast			96,594	-	-	96,594	96,594	-	-
				-		105,659	105,659	-	-
National School Lunch									
61950 Sec. 4 - Total Servings	10.555		59,899	-	52,681	7,218	7,218	-	-
71950 Sec. 4 - Total Servings			61,270	-	-	61,270	61,270	-	-
61960 Sec. 11 - Free and Reduced			278,368	-	247,284	31,084	31,084	-	-
71960 Sec. 11 - Free and Reduced			289,662	-	-	289,662	277,421	-	12,241
				-		389,234	376,993	-	12,241
Total Nutrition Cluster				-		494,893	482,652	-	12,241
Passed through Michigan Department of Education									
Food Distribution									
Entitlement	10.550		48,390	-	-	48,390	48,390	-	-
Bonus			452	-	-	452	452	-	-
				-		48,842	48,842	-	-
Child Care Food Program									
61920 CCFP Meals	10.558		12,943	-	9,950	1,902	2,993	1,091	-
71920 CCFP Meals			6,551	-	-	6,551	5,686	-	865
62010 Child care cash in lieu			3,452	-	2,535	635	917	282	-
72010 Child care cash in lieu			1,506	-	-	1,506	1,506	-	-
				-		10,594	11,102	1,373	865
Total Department of Agriculture				-		554,329	542,596	1,373	13,106

**Mt. Pleasant Public Schools**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2007**

Federal Grantor Pass Through Grantor Program Title Grant Number		Federal CFDA Number	Approved Grant Amount	Accrued (Deferred) Revenue July 1, 2006	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Adjustments	Accrued (Deferred) Revenue June 30, 2007
U.S. Department of Education									
Passed through Michigan Department of Education									
051130 610916 Federal Adult Education ABE Instruction	84.002	\$	8,000	\$ 8,000	\$ 8,000	\$ -	\$ 8,000	\$ -	\$ -
061130 610916 Federal Adult Education ABE Instruction			65,500	18,389	65,500	-	18,389	-	-
061190 610916 Federal Adult Education Institutional Programs			24,200	10,580	24,200	-	10,580	-	-
071130 710917 Federal Adult Education ABE Instruction			64,500	-	-	52,309	44,058	-	8,251
071190 710917 Federal Adult Education Institutional Programs			27,800	-	-	27,800	25,862	-	1,938
				36,969		80,109	106,889	-	10,189
Passed through Michigan Department of Education									
051530 0506 Title I	84.010		101,719	10,629	101,719	-	10,629	-	-
061530 0506 Title I			605,186	127,640	598,787	6,399	134,039	-	-
061530 0607 Title I			106,798	-	-	106,798	82,275	-	24,523
071530 0607 Title I			711,984	-	-	558,695	382,944	-	175,751
				138,269		671,892	609,887	-	200,274
Special Education Cluster									
Passed through Gratiot-Isabella Regional Education Service District									
070450 IDEA	84.027		165,000	-	-	165,000	-	-	165,000
Passed through Montcalm Area Intermediate School District									
Vocational Education - Perkins	84.048		144,729	-	-	144,729	144,729	-	-
Direct program									
Title IX Indian Education	84.060		85,091	-	-	85,091	85,091	-	-
Passed through Michigan Department of Education									
052860 0506 Safe Drug Free Schools	84.186		5,469	5,469	5,469	-	5,469	-	-
062860 0506 Safe Drug Free Schools			19,173	4,784	19,173	-	4,784	-	-
062860 0607 Safe Drug Free Schools			5,637	-	-	5,637	-	-	5,637
072860 0607 Safe Drug Free Schools			19,577	-	-	14,118	12,614	-	1,504
				10,253		19,755	22,867	-	7,141

See Accompanying Notes to Schedule of Expenditures of Federal Awards

**Mt. Pleasant Public Schools**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2007**

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Amount	Accrued (Deferred) Revenue July 1, 2006	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Adjustments	Accrued (Deferred) Revenue June 30, 2007
U.S. Department of Education								
Passed through Michigan Department of Education								
050390 D0520CES Even Start	84.213	\$ 225,000	\$ (14,462)	\$ 44,228	\$ 18,315	\$ 3,853	\$ -	\$ -
Passed through Montcalm Area Intermediate School District								
Tech prep	84.243A	21,816	-	-	21,816	21,816	-	-
Passed through Michigan Department of Education								
070250 0607 Title V Part A Innovative	84.298	796	-	-	796	783	-	13
Passed through Michigan Department of Education								
054290 0506 Technology Literacy Challenge Grants	84.318	11,455	3,597	11,455	-	3,597	-	-
064290 0506 Technology Literacy Challenge Grants		4,374	(2,333)	4,374	-	(2,333)	-	-
064290 0607 Technology Literacy Challenge Grants		8,908	-	-	8,908	180	-	8,728
074290 0607 Technology Literacy Challenge Grants		7,309	-	-	3,748	1,470	-	2,278
			1,264		12,656	2,914	-	11,006
Passed through Michigan Department of Education								
050520 0506 Improving Teacher Quality	84.367	25,287	15,985	25,287	-	15,985	-	-
060520 0506 Improving Teacher Quality		243,618	68,679	243,618	-	68,679	-	-
060520 0607 Improving Teacher Quality		2,029	-	-	2,029	2,029	-	-
070520 0607 Improving Teacher Quality		242,541	-	-	217,351	142,897	-	74,454
			84,664		219,380	229,590	-	74,454
Passed through Michigan Department of Education								
064120 1 Hurricane Katrina Grant	84.938C	511	373	-	138	511	-	-
Total Department of Education			257,330		1,439,677	1,228,930	-	468,077
Passed through Gratiot-Isabella Regional Education Service District								
Medicaid Targeted Case Management	93.778	46,868	-	-	46,868	34,431	-	12,437
			\$ 257,330		\$ 2,040,874	\$ 1,805,957	\$ 1,373	\$ 493,620

See Accompanying Notes to Schedule of Expenditures of Federal Awards

**Mt. Pleasant Public Schools**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**June 30, 2007**

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1. The Schedule of Expenditures of Federal Awards was prepared using the accrual basis of accounting.
2. Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the annual or final cost reports that have been submitted as of June 30, 2007.
3. The federal amounts reported on the Forms Grant Auditor Report and the R-7120 "Grant Sections Auditors' Report" are in agreement with the Schedule of Expenditures of Federal Awards, except for the following awards:

	Receipts per R-7120 & GAR	Receipts per Schedule	Difference	
061920 CCFP Meals	\$ 1,902	\$ 2,993	\$ (1,091)	1
062010 Child care cash in lieu	635	917	(282)	1
051130 610916 Federal Adult Education ABE Instruction	6,869	8,000	(1,131)	2
061130 610916 Federal Adult Education ABE Instruction	-	18,389	(18,389)	2
061190 610916 Federal Adult Education Institutional Programs	4,635	10,580	(5,945)	2
051530 0506 Title I	-	10,629	(10,629)	2
061530 0506 Title I	51,431	134,039	(82,608)	2
061530 0607 Title I	100,081	82,275	17,806	3
071530 0607 Title I	529,118	382,944	146,174	3
052860 0506 Safe Drug Free Schools	-	5,469	(5,469)	2
062860 0506 Safe Drug Free Schools	3,676	4,784	(1,108)	2
062860 0607 Safe Drug Free Schools	5,637	-	5,637	3
072860 0607 Safe Drug Free Schools	14,118	12,614	1,504	3
070250 0607 Title V Part A Innovative	796	783	13	3
064290 0607 Technology Literacy Challenge Grants	481	180	301	3
074290 0607 Technology Literacy Challenge Grants	1,951	1,470	481	3
050520 0506 Improving Teacher Quality	0	15,985	(15,985)	2
060520 0506 Improving Teacher Quality	16,882	68,679	(51,797)	2
070520 0607 Improving Teacher Quality	203,889	142,897	60,992	3

**Mt. Pleasant Public Schools**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**June 30, 2007**

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4. The differences above are due to the following reasons: (1) Expenditures existed on the audited financial statements in the prior year, but were not reflected on the schedule of federal awards, (2) the District reflected the payment of the prior year receivable in the current year, whereas it was shown on the prior years R-7120 and (3) the R-7120 reflects the current year receivable, whereas the District does not show receipt of this payment until after fiscal year end.
5. The amounts reported on the Recipient Entitlement Balance Report agree with the Schedule of Expenditures of Federal Awards for U.S.D.A. donated food commodities.

**Mt. Pleasant Public Schools**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2007**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes        X   no
- Significant deficiency(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes        X   none

Noncompliance material to financial statements noted? \_\_\_\_\_ yes        X   no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes        X   no
- Significant deficiency(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes        X   none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? \_\_\_\_\_ yes        X   no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
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84.010	Title I
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Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee?   X   yes      \_\_\_\_\_ no

**Mt. Pleasant Public Schools**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2007**  
**(continued)**

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**SECTION II - GOVERNMENT AUDITING STANDARDS FINDINGS**

There were no findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards for the year ended June 30, 2007.

**SECTION III - FEDERAL AWARD FINDINGS**

There were not findings related to federal awards which are required to be reported for the year ended June 30, 2007.



**Mt. Pleasant Public Schools**  
**Summary Schedule of Prior Audit Findings**  
**June 30, 2007**

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**SECTION IV – PRIOR AUDIT FINDINGS**

**06-01 Reportable condition** – The School District did not prepare timely bank reconciliations.

RESOLVED

In the current year, the District prepared timely bank reconciliations.

**06-02 Reportable condition** – The School District did not complete timely review of general ledger accounts.

RESOLVED

In the current year, the District reviewed all general ledger accounts in a timely manner.

**06-03 Reportable condition** – Due to an error in the payroll system employees were overpaid and one employee was underpaid. As part of our audit we tested a sample of 40 employees from the payroll system. Of the 40, three discrepancies were noted. The cause for the overpayments and underpayments was due to the wrong payroll codes being entered into the system.

RESOLVED

In the current year, we noted no instances where employees were paid incorrectly due to incorrect payroll codes in the payroll system.

**Finding 06-04 – Nutrition Cluster – Food Service Management Company Operated Food Services**

RESOLVED

In the current year, District personnel are performing all duties associated with processing free and reduced meal applications and the verification process.



3023 Davenport  
Saginaw, MI 48602  
Phone (989) 793-9830 / (800) 968-0010  
Fax (989) 793-0186

October 15, 2007

To the Board of Education  
Mt. Pleasant Public Schools  
Mt. Pleasant, Michigan

In planning and performing our audit of the general purpose financial statements of Mt. Pleasant Public Schools for the year ended June 30, 2007 we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the general purpose financial statements.

During our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated October 8, 2007 on the financial statements of Mt. Pleasant Public Schools.

### **Documentation of Internal Controls**

As part of our audit planning procedures, we are required to obtain an understanding of internal control of the District. Part of the internal control process is the communication of information, including the communication of how internal controls are designed and operating. During our audit planning procedures we noted that documentation of internal control policies and procedures was incomplete. We recommend that the District completely document and disseminate all internal control policies and procedures in one document. This ensures that all employees understand what their responsibilities in internal control are. In addition, it ensures continuity of internal control procedures as the make up of the District change each year. Documentation should not only indicate the flow of documents but also what internal control procedures are performed by each employee and what documentation is required to indicate a procedure was completed. The monitoring process should also be documented in this procedure manual, including who is responsible for monitoring, the minimum monitoring which must be done, and what documentation is required to indicate monitoring was performed. The monitoring process needs to cover all material accounts and include procedures to monitor all journal entries made.

### **Technology Department**

Through discussions and inquiry it came to our attention that H.R. Department is slow to notify the IT Department of terminated employees. This has caused several instances where employees have logon access long after leaving the District. In addition, key cards are not being turned in timely from terminated employees. We recommend the H.R. Department notify the IT Department immediately following the termination of an employee. This will allow IT to terminate access to the Districts functions and collect all key cards in a timely manner

## PRIOR YEAR COMMENTS AND CURRENT STATUS

	<u>Addressed</u>	<u>Progress Made</u>	<u>No Progress Made</u>
School District did not prepare timely bank reconciliations	X		
Account reconciliations were not all completed for material asset and liability accounts	X		
Wrong payroll codes were entered into payroll system	X		
Food Management Company was performing District responsibilities	X		
Payroll forms maintained in one central location	X		
Preparation of purchase orders and bid documentation	X		
Controls over technology equipment		X	

This communication is intended solely for the information and use of management, Board of Education and others within the District, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

YEO & YEO, P.C.  
CPAs and Business Consultants



Michael Gensch